

Message Text

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16

ORIGIN EB-07

INFO OCT-01 EUR-12 IO-11 ISO-00 SAM-01 AGR-05 CEA-01

CIAE-00 COME-00 DODE-00 FRB-03 H-02 INR-07 INT-05

L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15

STR-04 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01

FEA-01 /105 R

DRAFTED BY EB/OT/GCP:RTBANQUE:JM

APPROVED BY EB/ITP:CWSCHMIDT

COMMERCE:GBARE EUR/SE:JMORTON

COMMERCE:JJOHNSTON

COMMERCE:RFRANCIS (SUBS)

STR:SLANDE (SUBS)

LABOR:JCOYLE (DRAFT)

AGRICULTURE:KREYNOLDS

EUR/RPE:ECASEY

TREASURY:AGAUULT EUR/WE:EBEIGEL(SUB)

----- 031100

R 270048Z PEB 76

FM SECSTATE WASHDC

TO USMISSION EC BRUSSELS

INFO AMEMBASSY NICOSIA

AMEMBASSY LISBON

USDEL MTN GENEVA

USMISSION GENEVA

LIMITED OFFICIAL USE STATE 047248

E.O. 11652: N/A

TAGS: ETRD, EEC, PO, CY

SUBJECT: GSP AND REVERSE PREFERENCE COUNTRIES

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REF: (A). EC BRUSSELS, (B). EC BRUSSELS 1680

1. AS POSTS ARE AWARE, SECTION 502 (B)(3) OF THE TRADE ACT OF 1974 PROHIBITS THE PRESIDENT FROM DESIGNATING DEVELOPING COUNTRY AS A GSP BENEFICIARY, IF SUCH DEVELOPING COUNTRY GRANTS PREFERENTIAL TREATMENT TO THE PRODUCTS OF A DEVELOPED COUNTRY, OTHER THAN THE UNITED STATES, HAVING, OR LIKELY TO HAVE, A SIGNIFICANT ADVERSE EFFECT ON U.S. COMMERCE. SECTION 504 (B) REQUIRES THAT A BENEFICIARY'S ELIGIBILITY UNDER SECTION 502 (B) BE KEPT UNDER REVIEW. IN SEPTEMBER 1975 AN INTERAGENCY COMMITTEE CONCLUDED THAT PORTUGAL EXTENDED REVERSE PREFERENCES WITH SUCH AN EFFECT ON U.S. COMMERCE AND THAT CYPRUS DID NOT. DISCUSSIONS WITH THE GOP ARE CONTINUING WITH THE AIM OF FINDING SOME MEANS OF GRANTING GSP TO PORTUGAL THROUGH ACTION BY THE GOP TO ELIMINATE THE SIGNIFICANT ADVERSE EFFECTS OF THEIR REVERSE PREFERENCES ON OUR COMMERCE.

2. REFTELS INDICATE THAT MODIFICATIONS OF THE EXISTING EC/PORTUGAL AND EC/CYPRUS AGREEMENTS ARE EITHER BEING

NEGOTIATED OR UNDER DISCUSSION IN THE COMMISSION.

3. MISSION IS REQUESTED TO ASCERTAIN HOW A NEW AGREEMENT MIGHT MODIFY THE REVERSE PREFERENCES EXTENDED BY PORTUGAL AND CYPRUS TO THE EC. WILL THE PRODUCT COVERAGE BE BROADENED? WILL THE PREFERENTIAL MARGINS BE DEEPENED?

4. MISSION SHOULD INFORM COMMISSION OFFICIALS OF THE BASIS OUR INTEREST; I.E., THAT WE WOULD LIKE TO GRANT GSP TO PORTUGAL, IF POSSIBLE, AND THAT WE ARE REQUIRED BY OUR LAW TO REVIEW THE EXTENT OF REVERSE PREFERENCES MAINTAINED BY GSP BENEFICIARIES, SUCH AS CYPRUS. KISSINGER

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*** Current Handling Restrictions *** n/a

*** Current Classification *** LIMITED OFFICIAL USE

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